

HOUSE BILL 1003

Unofficial Copy
Q7

1998 Regular Session
(8lr1307)

ENROLLED BILL

-- Ways and Means/Budget and Taxation --

Introduced by **Delegates Redmer, Ports, M. Burns, Greenip, Finifter, Cryor, Jacobs, Stup, Preis, Elliott, Hubbard, Hammen, Kittleman, Pitkin, Stocksdale, Schade, and Hutchins** Hutchins, and Howard

Read and Examined by Proofreaders:

Proofreader.

Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this
____ day of _____ at _____ o'clock, ____ M.

Speaker.

CHAPTER _____

1 AN ACT concerning

2 **Tax Credit for Employer-Provided Long-Term Care Insurance**

3 FOR the purpose of allowing certain credits against the State income tax, insurance
4 premiums tax, financial institution franchise tax, and public service company
5 franchise tax for certain costs incurred by employers that provide long-term
6 care insurance as part of an employee benefits package; providing for the
7 calculation of the credit; providing for the carryover of unused credit if the credit
8 exceeds the total tax otherwise payable for a taxable year; providing for the
9 application of this Act; ~~requiring that the Department of Legislative Services~~
10 ~~conduct a certain study and report to certain committees of the General~~
11 ~~Assembly; providing for the termination of this Act~~ the Department of Health
12 and Mental Hygiene to conduct a certain study and to report to the Governor and
13 the General Assembly in a certain manner; requiring the Department of Health
14 and Mental Hygiene to conduct a certain study and to report to the House Ways
15 and Means Committee and the Senate Budget and Taxation Committee; and

1 generally relating to a tax credit against the State income tax, financial
2 institution franchise tax, public service company franchise tax, and insurance
3 premiums tax for employer-provided long-term care insurance.

4 BY adding to

5 Article - Tax - General
6 Section 8-218, 8-415, and 10-709
7 Annotated Code of Maryland
8 (1997 Replacement Volume)

9 BY adding to

10 Article - Insurance
11 Section 6-117
12 Annotated Code of Maryland
13 (1997 Volume)

14 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
15 MARYLAND, That the Laws of Maryland read as follows:

16 **Article - Tax - General**

17 8-218.

18 A FINANCIAL INSTITUTION MAY CLAIM A CREDIT AGAINST THE FINANCIAL
19 INSTITUTION FRANCHISE TAX FOR EMPLOYER-PROVIDED LONG-TERM CARE
20 INSURANCE AS PROVIDED UNDER § 10-709 OF THIS ARTICLE.

21 8-415.

22 A PUBLIC SERVICE COMPANY MAY CLAIM A CREDIT AGAINST THE PUBLIC
23 SERVICE COMPANY FRANCHISE TAX FOR EMPLOYER-PROVIDED LONG-TERM CARE
24 INSURANCE AS PROVIDED UNDER § 10-709 OF THIS ARTICLE.

25 10-709.

26 (A) IN THIS SECTION, "LONG-TERM CARE INSURANCE" HAS THE MEANING
27 STATED IN § 18-101 OF THE INSURANCE ARTICLE.

28 (B) (1) SUBJECT TO THE LIMITATION UNDER PARAGRAPH (2) OF THIS
29 SUBSECTION, AN EMPLOYER MAY CLAIM A TAX CREDIT IN AN AMOUNT EQUAL TO 5%
30 OF THE COSTS INCURRED BY THE EMPLOYER DURING THE TAXABLE YEAR TO
31 PROVIDE LONG-TERM CARE INSURANCE AS PART OF AN EMPLOYEE BENEFIT
32 PACKAGE.

33 (2) THE CREDIT ALLOWED UNDER THIS SECTION MAY NOT EXCEED THE
34 LESSER OF:

35 (I) \$5,000; OR

1 (II) \$100 FOR EACH EMPLOYEE COVERED BY LONG-TERM CARE
2 INSURANCE PROVIDED UNDER THE EMPLOYEE BENEFIT PACKAGE.

3 (C) (1) AN INDIVIDUAL OR CORPORATION MAY APPLY THE CREDIT
4 UNDER SUBSECTION (B) OF THIS SECTION AGAINST THE STATE INCOME TAX.

5 (2) AN ORGANIZATION THAT IS EXEMPT FROM TAXATION UNDER §
6 501(C)(3) OR (4) OF THE INTERNAL REVENUE CODE MAY APPLY THE CREDIT UNDER
7 THIS SECTION AGAINST STATE INCOME TAX DUE ON UNRELATED BUSINESS
8 TAXABLE INCOME AS PROVIDED UNDER §§ 10-304 AND 10-812 OF THIS TITLE.

9 (D) (1) IF THE EMPLOYER IS SUBJECT TO MORE THAN ONE TAX AGAINST
10 WHICH THE CREDIT ALLOWED UNDER THIS SECTION MAY BE APPLIED, THE SAME
11 CREDIT MAY NOT BE APPLIED MORE THAN ONCE AGAINST DIFFERENT TAXES.

12 (2) IF THE CREDIT ALLOWED UNDER THIS SUBSECTION IN ANY TAXABLE
13 YEAR EXCEEDS THE TOTAL TAX OTHERWISE PAYABLE BY THE EMPLOYER FOR THAT
14 TAXABLE YEAR, THE EMPLOYER MAY APPLY THE EXCESS AS A CREDIT FOR
15 SUCCEEDING TAXABLE YEARS UNTIL THE EARLIER OF:

16 (I) THE FULL AMOUNT OF THE EXCESS IS USED; OR

17 (II) THE EXPIRATION OF THE 5TH TAXABLE YEAR AFTER THE
18 TAXABLE YEAR IN WHICH THE COSTS TO PROVIDE LONG-TERM CARE INSURANCE AS
19 PART OF AN EMPLOYEE BENEFIT PACKAGE WERE INCURRED.

20 **Article - Insurance**

21 6-117.

22 AN INSURER MAY CLAIM A CREDIT AGAINST THE PREMIUM TAX FOR
23 EMPLOYER-PROVIDED LONG-TERM CARE INSURANCE AS PROVIDED UNDER § 10-709
24 OF THE TAX - GENERAL ARTICLE.

25 SECTION 2. AND BE IT FURTHER ENACTED, That, on or before October 1,
26 2001, the Department of Legislative Services shall conduct a study on the
27 effectiveness of the tax credit program established under this Act in increasing the
28 availability of employer-provided long-term care insurance to employees and on the
29 feasibility of providing Health and Mental Hygiene shall submit a report to the
30 Governor, and, subject to § 2-1246 of the State Government Article, to the General
31 Assembly on efforts taken by the Department to educate the public on the importance of
32 individual long-term care planning and on the effectiveness of the tax credit program
33 established under this Act in increasing the sales of long-term care insurance policies
34 in Maryland, including an analysis of employers having taken advantage of this tax
35 credit program, a profile of the employees covered by employer-provided long-term
36 care insurance policies, the impact of this tax credit program on State revenues, and
37 any other information that the Department considers relevant in evaluating the
38 effectiveness of this tax credit program.

1 In addition, the Department shall conduct a study of alternative incentives that
2 might directly encourage individuals to purchase long-term care insurance, and shall
3 report on the results of its findings to the House Committee on Ways and Means and
4 the Senate Budget and Taxation Committee by December 1, 2000.

5 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take
6 effect ~~October~~ July 1, 1998 and shall be applicable to all taxable years beginning after
7 December 31, 1998. ~~1998, but before January 1, 2003; provided, however, that any~~
8 ~~excess credits under § 10-709 of the Tax – General Article may be carried forward~~
9 ~~and, subject to the limitations under § 10-709 of the Tax – General Article, may be~~
10 ~~applied as a credit for taxable years beginning on or after January 1, 2003. Except as~~
11 ~~otherwise provided in this section, this Act shall remain in effect for a period of 5~~
12 ~~years and at the end of June 30, 2003, with no further action required by the General~~
13 ~~Assembly, this Act shall be abrogated and of no further force and effect 1998.~~